

NSC BRIEFING

4 December 1957

DUTCH INTERESTS IN INDONESIA (BACKGROUND)

- I. Dutch investment in Indonesia, although diminished since the transfer of sovereignty in 1949, is still estimated at approximately \$1.5 billion.
- II. Principal areas of investment are agricultural estates, oil, banking, and shipping.
 - A. Dutch investments are distributed approximately as follows:
 1. Agricultural estates: 50 percent
 2. Oil: 20 percent
 3. Banking: 10 percent
 4. Land transportation: 6 percent
 5. Shipping: 4 percent
 6. Miscellaneous: 10 percent
- III. A Dutch-owned shipping company, KPM, (Royal Packet Navigation Co) handles 70 percent of Indonesia's inter-island trade.
 - A. Company operates 100 ships and has total displacement of approximately 200,000 gross registered tons.
 - B. Company uses some of these ships also for other Far Eastern trade routes and in recent months has been including more non-Indonesian trade in its traffic in anticipation of declining business in Indonesia.
 - C. Dutch flag shipping also carries greatest share of Indonesian overseas shipping.
- IV. Netherlands has one oil company in Indonesia, KPM, (Royal Dutch Shell).

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- A. BPM is operating holdings in South Sumatra and Borneo.
(70,000 BB/D)
- B. Its fields in North Sumatra and East Java are operated by the Indonesian government, having never been returned after the revolution.
- V. Estate agriculture, although still constituting principal area of Dutch investment in Indonesia, is considerably less than during pre-war period.
 - A. According to Indonesian government, Dutch firms own 673 of Indonesia's 1,500 estates.
 - B. Principal Dutch estate crops in addition to rubber are tobacco, palm oil, sugar, coffee, tea, fibers, cinchona, pepper and spices.
- VI. Branches of three Dutch banks play major role in providing short term credit to agricultural estates and to that portion of industrial and commercial enterprise which is foreign controlled.
- VII. As late as 1954, five Dutch import-export firms were still estimated to be handling at least 80 percent of Indonesia's foreign trade.
 - A. Although this figure has been reduced since then, Dutch firms still control directly or indirectly a high percentage of trade.
- VIII.A Netherlands company, GMB, (Billiton Joint Mining Co.) retains a 47½ percent interest in tin mines on island of Billiton and a subsidiary of GMB works mines on island of Singkep.
 - A. These two islands produce less than half the tin exported by Indonesia (12-15,000 tons in '56). Remaining production is in Indonesian hands.

- IX. Should KPM shipping be frozen, tremendous confusion and growing isolation of the non-Javanese areas would result.**
- A. Perhaps most important, food shipments from Javanese ports to the outer islands would be interrupted.**
 - B. Much of the present trade and communication between Java and the outer islands would cease.**
 - C. Smuggling between the outer islands and non-Indonesian ports is not carried in KPM ships and would not be affected by an interruption of KPM operations.**